



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

JOHN S. ROBERTS
DIRECTOR

November 26, 2014

The Honorable Roger Kahn, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48909

The Honorable Joseph Haveman, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48909

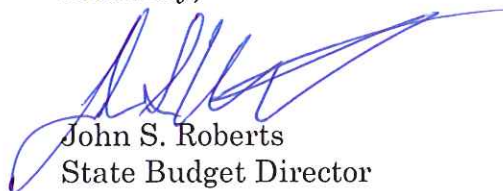
Dear Legislators:

Attached is the monthly financial report for the month ending October 31, 2014. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

www.michigan.gov/budget under "Financial Reports".

If you have questions concerning the information in this report, please contact this office.

Sincerely,



John S. Roberts
State Budget Director

Attachment

c: Governor Rick Snyder	House Fiscal Agency
Randy Richardville, Sen. Maj. Leader	Jack Brandenburg, Chair, Senate Finance Com.
Gretchen Whitmer, Senate Min. Leader	Jeff Farrington, Chair, House Tax Policy Com.
Jase Bolger, Speaker of the House	Beth Clement, Deputy Chief of Staff
Tim Greimel, House Min. Leader	Dick Posthumus, Executive Office
Senate Appropriations Committee	Mike Moody, Office of Financial Management
House Appropriations Committee	Nancy Duncan, Deputy State Budget Director
Senate Fiscal Agency	Internal State Budget Office Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2015
Projected Revenues and Expenditures
October 31, 2014
(\$ in millions)

FISCAL
2015

Beginning Balance, October 1, 2014	see one-time revenue
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Current Year GF/GP Revenues, May 2014 Consensus Estimate	\$ 9,826.0
Revenue Adjustments:	
Local Government Program Payments	\$ (459.2)
General Fund share of HMO use tax collections - PA 161 of 2014	\$ 392.9
Venture Michigan Fund	\$ (38.1)
Other revenue adjustments	\$ (15.2)
Subtotal Additional Revenue Adjustments	\$ (119.6)
Total FY Resources Available For Expenditure GF/GP - Ongoing	\$ 9,706.4

Expenditures, Current Law:	
FY 2015 Enacted with Vetoes	\$ 9,599.3
Total Expenditures Projected - Ongoing	\$ 9,599.3

Current Year Revenues minus Ongoing Costs	\$ 107.1
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Beginning Balance (One-Time Revenue)	\$ 490.0
Local Government Program Payments	\$ (8.8)
Total FY Resources Available For Expenditure GF/GP - One-Time	\$ 481.2
One-Time Spending Items:	
PA 196, PA 252, and PA 282 of 2014	\$ 581.3
One-Time Revenue minus One-Time Spending	\$ (100.1)

Projected Ending Balance, September 30, 2015	\$ 7.0
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¹ This report does not reflect final revenue and expenditure data for the fiscal year ending September 30, 2014. Final year-end activity will be reflected in the fiscal year 2014 Comprehensive Annual Financial Report which, by law, must be issued on or before March 31, 2015.

**Fiscal Year 2015
Projected Revenues and Expenditures
October 31, 2014
(\$ in millions)**

	FISCAL 2015
Beginning Balance , October 1, 2014	see one-time revenue
Current Year School Aid Fund Revenues, May 2014 Consensus Estimate	\$ 11,853.3
Revenue Adjustments:	
Personal Property Tax Reform Approval (PA 80 of 2014)	\$ (10.0)
Personal Property Tax Reform Holdharmless General Fund	\$ 19.9
Use Tax Revision (PA 161 of 2014)	\$ 196.4
Various Legislation (PA 240, 248 and 298 of 2014); Court Decision	\$ (5.8)
Venture Michigan Fund	\$ (11.9)
MPSERS Reserve Fund	\$ 18.0
General Fund	\$ 95.0
Federal Revenue	\$ 1,808.2
Subtotal Additional Revenue Adjustments	\$ 2,109.8
Total FY Resources Available for Expenditure School Aid Fund	\$ 13,963.1
School Aid Ongoing Costs	
PA 196 of 2014	\$ 13,494.1
Community Colleges Ongoing Costs	
PA 196 of 2014	\$ 197.6
Universities Ongoing Costs	
PA 196 of 2014	\$ 200.5
Total School Aid Fund Ongoing Costs Projected	\$ 13,892.2
Current Year Revenues minus Ongoing Costs	\$ 70.9
Beginning Balance (One-Time Revenue)	\$ 310.0 ¹
One-Time Spending Items	
PA 196 of 2014 School Aid	\$ 376.2
PA 196 of 2014 Higher Education	\$ 4.0
One-Time Revenue minus One-Time Spending	\$ (70.2)
Projected Ending Balance, September 30, 2015	\$ 0.7

¹This report does not reflect final revenue and expenditure data for the fiscal year ending September 30, 2014. Final year-end activity will be reflected in the fiscal year 2014 Comprehensive Annual Financial Report which, by law, must be issued on or before March 31, 2015.

SUMMARY OF EXPENDITURES AND ENCUMBRANCES GENERAL FUND GROSS

October 31, 2014
(\$ IN MILLIONS)

FISCAL YEAR 2014

FISCAL YEAR 2015

Exp & Enc October 2013	Exp & Enc Yr-to-date FY 2014	Fiscal Year End SEP 30, 2014	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc October 2014	Exp & Enc Yr-to-date FY 2015
3.1	3.1	70.9	Agriculture and Rural Development	84.5	11.6	3.2	3.2
2.9	2.9	81.3	Attorney General	92.6	0.0	2.6	2.6
38.5	38.5	314.6	Capital Outlay**	321.8	0.0	39.2	39.2
0.5	0.5	14.1	Civil Rights	16.6	0.0	0.5	0.5
114.5	114.5	1,356.4	Colleges & Universities	1,479.1	0.0	120.0	120.0
1,146.7	1,146.7	15,302.8	Community Health	18,147.0	300.0	1,423.6	1,423.6
126.8	126.8	1,946.7	Corrections	2,022.2	0.0	118.2	118.2
12.2	12.2	382.4	Education	287.1	9.0	8.1	8.1
4.4	4.4	254.8	Environmental Quality	473.9	35.6	4.5	4.5
0.4	0.4	5.1	Executive Office	5.9	0.0	0.4	0.4
435.4	435.4	5,480.5	Human Services	5,966.8	0.0	385.0	385.0
0.1	0.1	61.6	Insurance and Financial Services	65.2	0.0	1.4	1.4
6.8	6.8	232.1	Judiciary	287.8	0.0	6.5	6.5
0.0	0.0	1.8	Land Bank Fast Track Authority	4.0	0.0	0.0	0.0
0.8	0.8	20.2	Legislative Auditor General	22.2	0.0	0.7	0.7
7.9	7.9	115.0	Legislature	128.9	0.4	7.6	7.6
9.7	9.7	251.8	Licensing and Regulatory Affairs	326.4	54.2	48.3	48.3
6.5	6.5	128.4	Military Affairs	140.7	0.0	6.4	6.4
2.7	2.7	72.1	Natural Resources	126.6	14.1	3.9	3.9
0.0	0.0	0.0	School Aid	0.0	0.0	0.0	0.0
6.3	6.3	198.5	State	224.0	9.7	5.4	5.4
18.0	18.0	576.9	State Police	638.8	14.7	16.6	16.6
15.9	15.9	992.5	Technology, Management & Budget***	420.1	94.0	18.3	18.3
0.0	0.0	221.6	Transportation	282.6	0.0	22.0	22.0
281.4	281.4	1,733.5	Treasury	1,838.9	72.3	303.7	303.7
16.7	16.7	215.4	Michigan Strategic Fund	240.7	24.1	40.8	40.8
\$2,258.3	\$2,258.3	\$30,030.7		\$33,644.4	\$639.6	\$2,586.9	\$2,586.9

*Includes boilerplate appropriations.

**Includes all capital outlay activity regardless of agency

***Includes Civil Service Commission

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2015
October, 2014
(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	16,560.3	0.0	16,560.3
Total state spending from state resources	30,143.5	0.0	30,143.5
Percentage of state spending from state resources paid to local units	54.94%		54.94%
Required payments to local units (48.97%)	14,761.3		14,761.3
Surplus/(deficit)	\$1,799.0		\$1,799.0

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
October 1, 2014 Through October 31, 2014
(in thousands)

REVENUES

Miscellaneous	\$ <u> -</u>
Total Revenues	<u> -</u>

EXPENDITURES

Current:	
General government	<u> -</u>
Total Expenditures	<u> -</u>
Excess of Revenues over (under) Expenditures	<u> -</u>

OTHER FINANCING SOURCES (USES)

Transfers from other funds	7,833
Transfers to other funds	<u> -</u>
Total Other Financing Sources (Uses)	<u>7,833</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 7,833 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable,
accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
MICHIGAN NATURAL RESOURCES TRUST FUND
October 1, 2014 through October 31, 2014
(in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>11,019</u>
Total Revenues	<u>11,019</u>

EXPENDITURES

Current:	
General government	-
Conservation, environment, recreation, and agriculture	82
Capital outlay	<u>790</u>
Total Expenditures	<u>872</u>
Excess of Revenues over (under) Expenditures	<u>10,147</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues	-
Proceeds from sale of capital assets	-
Transfers from other funds	-
Transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u><u>\$ 10,147</u></u> ¹

¹ Balance does not reflect closing adjustments such as accounts receivable,
accounts payable, etc.

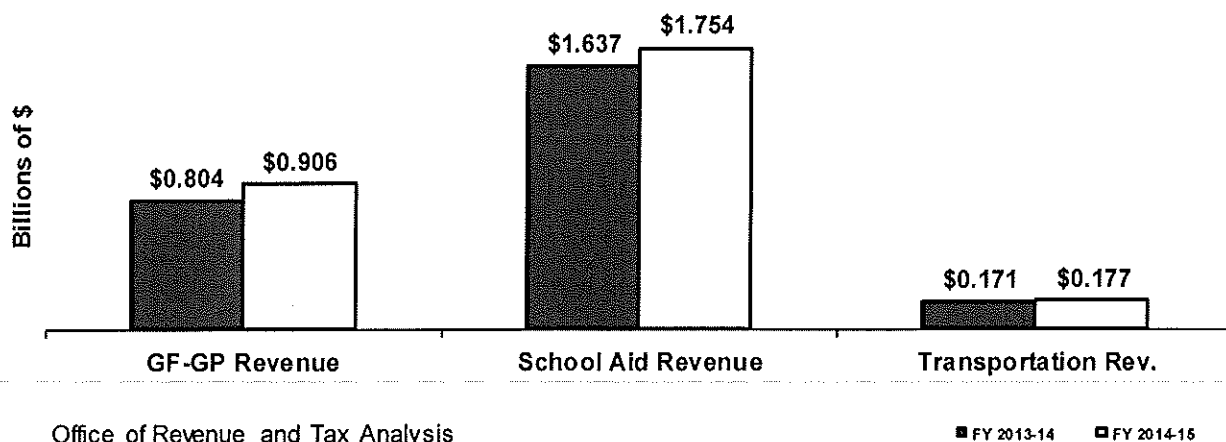
REVENUE OVERVIEW
Office of Revenue and Tax Analysis
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for October 2014, representing some September and some October economic activity in Michigan.

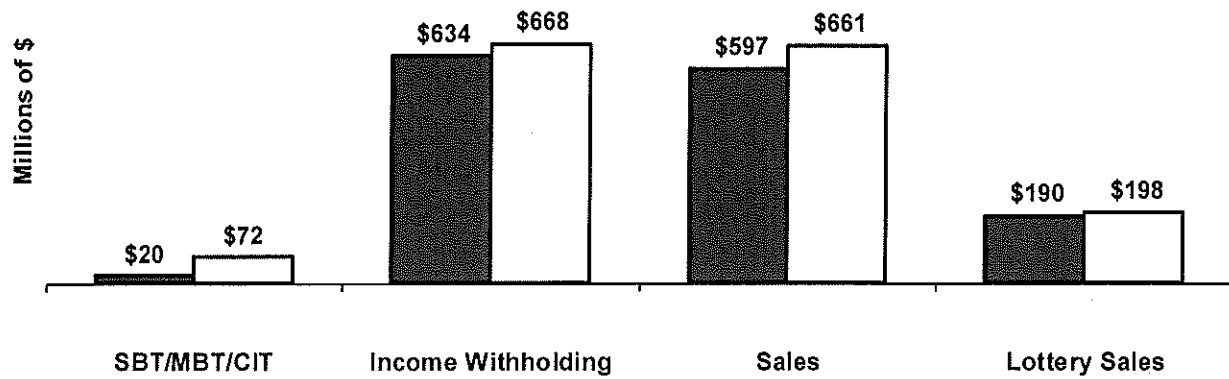
Total General Fund-General Purpose revenues were \$101.8 million (12.7 percent) higher in October 2014 than in October 2013. The October 2014 School Aid Fund revenues were \$117.4 million (7.2 percent) higher than in October 2013. October 2014 Transportation revenues were \$6.4 million (3.7 percent) higher than in October 2013 (see revenue table). October is the first month of the State's fiscal year (FY). Tax revenue received in October relating to economic activity prior to October will be accrued back to FY 2013-14. Likewise, any refunds paid out in October relating to FY 2013-14 liabilities will also be accrued back. Final FY 2013-14 revenue totals should be available in late December or early January.

FY 2014-15 revenue forecasts presented in the revenue table on page 9 are from the Consensus Revenue Estimating Conference held on May 15, 2014. The Statutory estimated revenue totals are also the May 2014 Consensus estimates. The net General Fund-General Purpose revenue forecast for FY 2014-15 is \$9,826.0 million. The net School Aid Fund revenue forecast is \$11,853.3 million, and the Transportation Funds revenue forecast is \$2,178.6 million. The next revenue conference will be held on January 16, 2015.

**October Collections
FY 2013-14 and FY 2014-15**



October Revenue Collections FY 2013-14 and FY 2014-15



Office of Revenue and Tax Analysis

■ FY 2013-14 ■ FY 2014-15

Revenue Summary FY 2014-15
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: October 31, 2014

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH OCTOBER CASH COLLECTIONS DATA				REVENUE PROJECTIONS			
October		Difference		Year-to-Date		Difference		FY 2013-14		FY 2014-15	
2013	2014	Amount	Percent	FY 2013-14	FY 2014-15	Amount	Percent	May 2014 Consensus	Statutory Estimate	May 2014 Consensus	
Income Taxes											
SOURCE OF REVENUE											
Withholding											
\$634,234	\$667,874	\$33,640	5.3%	\$634,234	\$667,874	\$33,640	5.3%	\$8,281,100	\$8,568,600	\$8,568,600	
18,082	16,964	(1,117)	-6.2%	18,082	16,964	(1,117)	-6.2%	876,900	908,500	908,500	
51,868	42,747	(9,121)	-17.6%	51,868	42,747	(9,121)	-17.6%	790,800	825,700	825,700	
704,183	727,586	23,402	3.3%	704,183	727,586	23,402	3.3%	\$9,948,800	\$10,302,800	\$10,302,800	
47,656	58,975	11,319	23.8%	47,656	58,975	11,319	23.8%	1,743,200	1,797,000	1,797,000	
0	0	0	na	0	0	0	na	1,000	1,000	1,000	
656,527	668,611	12,083	1.8%	656,527	668,611	12,083	1.8%	\$8,204,600	\$8,504,800	\$8,504,800	
181,504	167,136	5,632	3.5%	181,504	167,136	5,632	3.5%	\$2,368,800	\$2,453,100	\$2,453,100	
\$495,023	\$501,475	\$6,452	1.3%	\$495,023	\$501,475	\$6,452	1.3%	\$5,835,800	\$6,051,700	\$6,051,700	
Less: Refunds											
State Campaign Fund											
Net Personal Income											
Less: Disbursements to SAF											
NET PERSONAL INCOME TO GF-GP											
Consumption Taxes											
Sales (a)											
\$83,370	\$103,517	\$20,147	24.2%	\$83,370	\$103,517	\$20,147	24.2%	\$1,134,200	\$1,187,000	\$1,187,000	
77,842	85,196	7,353	9.4%	77,842	85,196	7,353	9.4%	918,900	952,400	952,400	
15,611	16,422	811	5.2%	15,611	16,422	811	5.2%	187,000	182,900	182,900	
4,280	4,298	18	0.4%	4,280	4,298	18	0.4%	51,500	52,000	52,000	
36	28	(9)	-23.7%	36	28	(9)	-23.7%	45,000	46,000	46,000	
\$181,139	\$209,460	\$28,321	15.6%	\$181,139	\$209,460	\$28,321	15.6%	\$2,336,600	\$2,420,300	\$2,420,300	
Other Taxes											
Single Business											
(\$5,927)	\$2,964	\$8,891	na	(\$5,927)	\$2,964	\$8,891	na	(\$20,000)	(\$10,000)	(\$10,000)	
70,591	87,522	16,930	24.0%	70,591	87,522	16,930	24.0%	346,500	396,000	396,000	
64,664	90,486	25,821	39.9%	64,664	90,486	25,821	39.9%	326,500	396,000	396,000	
(89,655)	(13,313)	76,342	85.2%	(89,655)	(13,313)	76,342	85.2%	(552,000)	(429,000)	(429,000)	
115,936	82,678	(33,258)	-28.7%	115,936	82,678	(33,258)	-28.7%	879,900	907,000	907,000	
1	(150)	(150)	na	1	(150)	(150)	na	0	0	0	
359	319	(40)	-11.1%	359	319	(40)	-11.1%	45,000	45,000	45,000	
5,612	3,380	(2,232)	-39.8%	5,612	3,380	(2,232)	-39.8%	67,000	68,500	68,500	
11,342	12,008	666	5.9%	11,342	12,008	666	5.9%	150,000	152,000	152,000	
0	5	5	na	0	5	5	na	1,000	1,000	1,000	
(11,083)	(11,167)	(83)	-0.8%	(11,083)	(11,167)	(83)	-0.8%	(133,000)	(134,000)	(134,000)	
\$97,176	\$164,247	\$67,071	69.0%	\$97,176	\$164,247	\$67,071	69.0%	\$784,400	\$996,500	\$996,500	
TOTAL OTHER TAXES											
\$773,338	\$875,182	\$101,844	13.2%	\$773,338	\$875,182	\$101,844	13.2%	\$8,956,800	\$9,468,500	\$9,468,500	
SUBTOTAL GF-GP TAXES											

continued

Revenue Summary FY 2014-15
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: October 31, 2014

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH OCTOBER CASH COLLECTIONS DATA				REVENUE PROJECTIONS			
October		Difference		Year-to-Date		Difference		FY 2013-14		FY 2014-15	
2013	2014	Amount	Percent	FY 2013-14	FY 2014-15	Amount	Percent	May 2014 Consensus	Statutory Estimate	May 2014 Consensus	
Non-Tax Revenue (e)											
\$1,667	\$1,667	\$0	0.0%	\$1,667	\$1,667	\$0	0.0%	\$20,000	\$20,000	\$20,000	
83	83	0	0.0%	83	83	0	0.0%	1,000	1,000	1,000	
833	833	0	0.0%	833	833	0	0.0%	10,000	10,000	10,000	
833	833	0	0.0%	833	833	0	0.0%	10,000	10,000	10,000	
0	0	0	na	0	0	0	na	(2,500)	(4,000)	(4,000)	
8,417	8,417	0	0.0%	8,417	8,417	0	0.0%	101,000	101,000	101,000	
14,333	14,333	0	0.0%	14,333	14,333	0	0.0%	172,000	173,500	173,500	
4,250	4,250	0	0.0%	4,250	4,250	0	0.0%	51,000	46,000	46,000	
\$30,417	\$30,417	\$0	0.0%	\$30,417	\$30,417	\$0	0.0%	\$362,500	\$357,500	\$357,500	
\$803,755	\$803,755	\$101,844	12.7%	\$803,755	\$905,598	\$101,844	12.7%	\$9,319,300	\$9,826,000	\$9,826,000	
School Aid Fund											
\$244,087	\$270,540	\$26,453	10.8%	\$244,087	\$270,540	\$26,453	10.8%	2,976,600	3,083,600	3,083,600	
190,334	210,268	19,933	10.5%	190,334	210,268	19,933	10.5%	2,323,900	2,409,700	2,409,700	
38,921	85,210	46,288	119.0%	38,921	85,210	46,288	119.0%	459,500	476,200	476,200	
930,342	941,169	10,827	1.2%	930,342	941,169	10,827	1.2%	1,788,000	1,841,300	1,841,300	
21,070	28,949	7,879	37.4%	21,070	28,949	7,879	37.4%	233,400	245,300	245,300	
0	0	0	na	0	0	0	na	775,000	776,000	776,000	
9,094	9,587	493	5.4%	9,094	9,587	493	5.4%	108,000	112,000	112,000	
0	0	0	na	0	0	0	na	44,500	45,500	45,500	
31,693	33,340	1,647	5.2%	31,693	33,340	1,647	5.2%	359,500	350,400	350,400	
8,367	7,429	(938)	-11.2%	8,367	7,429	(938)	-11.2%	35,000	36,100	36,100	
1,459	634	(825)	-56.6%	1,459	634	(825)	-56.6%	24,100	24,100	24,100	
161,504	167,136	5,632	3.5%	161,504	167,136	5,632	3.5%	\$2,368,800	\$2,453,100	\$2,453,100	
\$1,636,872	\$1,754,260	\$117,388	7.2%	\$1,636,872	\$1,754,260	\$117,388	7.2%	\$11,496,300	\$11,853,300	\$11,853,300	
SCHOOL AID FUND											
\$597,146	\$661,167	\$64,021	10.7%	\$597,146	\$661,167	\$64,021	10.7%	\$7,285,000	\$7,549,100	\$7,549,100	
406,811	450,899	44,088	10.8%	406,811	450,899	44,088	10.8%	4,961,100	5,139,400	5,139,400	
190,334	210,268	19,933	10.5%	190,334	210,268	19,933	10.5%	2,323,900	2,409,700	2,409,700	
116,764	170,405	53,641	45.9%	116,764	170,405	53,641	45.9%	1,378,400	1,428,600	1,428,600	
78,447	82,524	4,077	5.2%	78,447	82,524	4,077	5.2%	998,000	917,900	917,900	
608	0	(608)	-100.0%	608	0	(608)	-100.0%	na	na	na	

continued

For The Month Ended: October 31, 2014

a GF-GP Sales has been adjusted based on CTF, Health Initiative, and Constitutional Revenue shares.

b. The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

c The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

d 2% collections adjusted to reflect exemption on residential utilities.

e Non-tax revenue items other than interest are estimates.

of In June, 2014 Public Act 161 retroactively (back to April 2014) expanded the use tax to include Health Maintenance Organizations. The May 2014 Consensus projections do not include this legislative change.

Beginning in October 2014, Instant Games includes iLottery net win amounts.

Source: Michigan Department of Treasury, Office of Revenue & Tax Analysis, based on reports from the Office of Financial Management, Michigan Department of Technology, Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy

Index of Consumer Sentiment



Source: University of Michigan, Survey Research Center

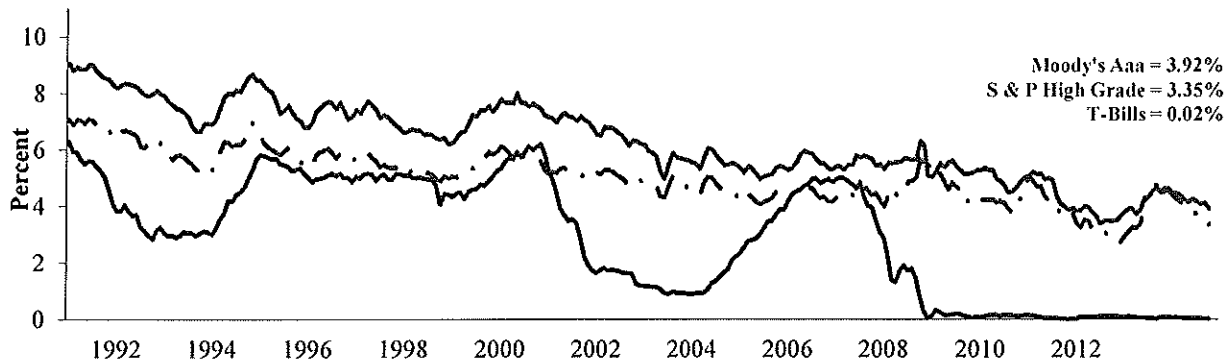
The *Index of Consumer Sentiment* increased in October to 86.9 index-points, 2.3 index-points above the September value and 13.7 index-points above October 2013. On the increase in confidence, Survey Director Richard Curtin noted, "Consumer Sentiment rose a bit more in late October, reaching its highest level since July of 2007; the current Sentiment reading was just above its long-term average of 85.7, calculated over the more than sixty years since it was first measured in 1952. The October gain was due to improved personal finances and a more favorable outlook for the overall economy. Consumers reported the most favorable personal financial expectations as well as the most favorable year-ahead outlook for the national economy in the past seven years. Consumers expected modest gains in their incomes, some further increase in employment, and a low stable inflation rate. Although lower gasoline prices did not spark the gains, falling prices at the pump will certainly free-up more of their budgets for other spending." Curtin observed, "Consumers gave the most positive ratings in more than a decade when asked to evaluate the current state of the economy. Nearly six-in-ten consumers reported that the economy had improved, with even more positive ratings recorded among upper income households." On buying attitudes, Curtin reported, "Households with incomes in the top third reported much more favorable buying attitudes for household durables as well as vehicles in the October survey. Among upper income households, 44% mentioned the availability of low prices on household durables, up from 34% one month and one year earlier, and 43% mentioned low prices on vehicles, up from 36% one month earlier and 29% one year ago." In October, consumers in two of the four regions reported an increase in confidence. Western consumers reported the largest increase in confidence at 7.6 index-points, followed by Midwestern consumers with an increase of 5.4 index-points. Northeastern and Southern consumers both reported a decrease in confidence of 1.0 index points. The gap across regions decreased from last month to 8.7 index-points, with Western consumers on top and Southern consumers on the bottom.

The advance estimate of real *Gross Domestic Product* for the third quarter of 2014 is \$16,150.6 billion (chained 2005 dollars), an increase of 3.5 percent at an annual rate. In the second quarter of 2014, real gross domestic product increased 4.6 percent. The increase in third quarter real GDP was mainly due to private inventory investment, exports, personal consumption expenditures, nonresidential fixed investment and residential fixed investment. Imports, which are a subtraction in calculating GDP,

decreased. Real personal consumption expenditures increased 1.8 percent in the third quarter, compared to a 2.5 percent increase in the second quarter. Real residential fixed investment increased 1.8 percent in the third quarter compared to an increase of 8.8 percent in the second quarter. Real nonresidential fixed investment increased 5.5 percent in the third quarter while real equipment expenditures increased 7.2 percent. Real federal government expenditures increased 10.0 percent in the third quarter, compared to a 0.9 percent decrease in the second quarter. Real state and local government spending increased 1.3 percent in the third quarter, compared to a 3.4 percent increase in the second quarter. Exports of goods and services increased 7.8 percent in the third quarter, compared to a 11.1 percent increase in the second quarter. Imports decreased 1.7 percent in the third quarter compared to an increase of 11.3 percent in the second quarter. Private inventory investment increased \$62.8 billion in the third quarter, following a \$84.8 billion increase in the second quarter. Real final sales increased 4.2 percent in the third quarter compared to an increase of 3.2 percent in the second quarter. On the inflation front, the **implicit price deflator** increased 1.3 percent in the third quarter compared to a 2.1 percent increase observed in the second quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.1 percent in September, up from the 0.2 percent decrease in August. Energy prices decreased 0.7 percent in September, up from a 2.6 percent decrease in August, while the all-items less food and energy component increased 0.1 percent in September. Compared to September 2013, the all-items index increased 1.7 percent. For major component groups, the unadjusted changes from one year ago were: food and beverages, 2.9 percent; medical care, 2.0 percent; apparel, 0.5 percent; education and communication, 1.3 percent; other goods and services, 1.6 percent; housing, 2.6 percent; recreation, 0.1 percent; and transportation, -0.8 percent, with gasoline prices down -3.6 percent.

Selected Key Interest Rates



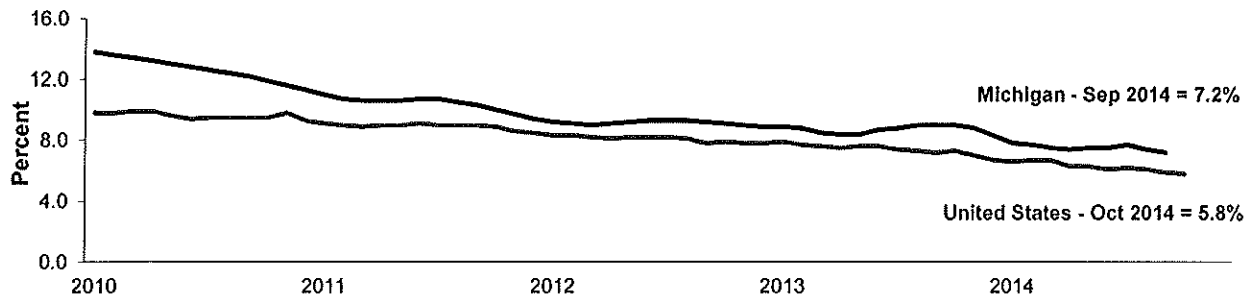
Source: Economic Indicators

Short-term interest rates remained unchanged in October as the 3-month Treasury bill (T-bill) rate was 0.02 percent. Compared to one year ago, the T-bill rate was down 0.04 percentage point. The Aaa corporate bond rate, a long-term interest rate, decreased 0.19 percentage point to an interest yield of 3.92 percent in October. The Aaa bond yield was down 0.53 percentage point from its year-ago level. The interest rate on High-grade municipal bonds decreased 0.20 percentage point from the September level to 3.55 percent in October and was down 1.15 percentage points from its year-ago level. The Federal Open Market Committee kept the target range for the federal funds rate between 0 and 0.25 percent at the October 29th meeting. The FOMC stated "the Committee today reaffirmed its view that a highly accommodative stance of monetary policy remains appropriate. In determining how long to maintain the current 0 to ¼ percent target range for the federal funds rate, the Committee will assess

progress – both realized and expected – toward its objectives of maximum employment and 2 percent inflation.” The Committee “seeks to foster maximum employment and price stability.”

In October, the **U. S. unemployment rate** decreased 0.1 percentage point from a month ago to 5.8 percent and was 1.4 percentage points lower than a year ago. Civilian employment totaled 147.3 million persons in October. The number unemployed was 9.0 million nationwide.

Unemployment Rates 2010 - 2014



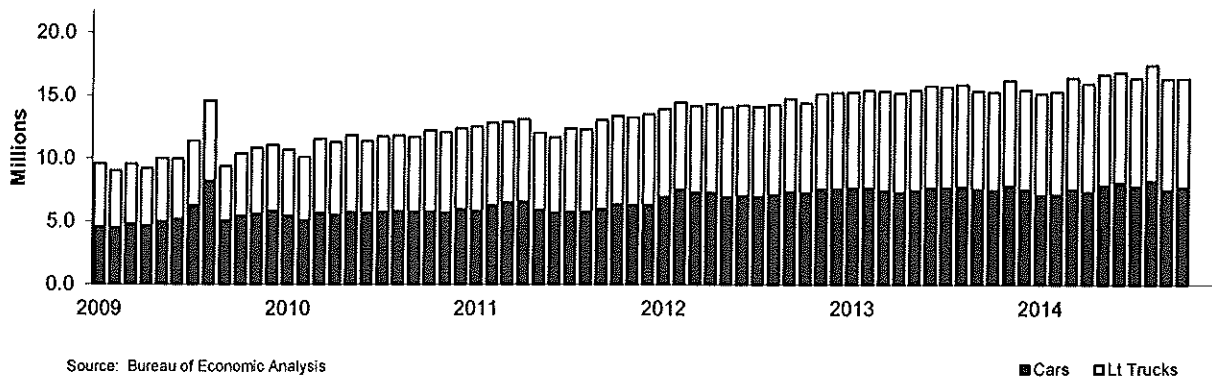
Source: Bureau of Labor Statistics and Michigan Department of Technology, Management & Budget

In September, the **Michigan jobless rate** decreased 0.2 percentage point to 7.2 percent from August. The September unemployment rate is 1.6 percentage points below the year ago level. In September, the labor force rose 3,000 to 4,733,000, while the number of people employed increased by 9,000 to 4,391,000. In September, there were 342,000 unemployed people. Monthly unemployment rates fluctuate in part due to statistical sampling errors.

Detroit retail prices, as measured by the Detroit Consumer Price Index (CPI-U), decreased 1.0 percent from June to August compared to a 0.5 percent increase from April to June. The all-items less food and energy index decreased 0.4 percent from June to August. The food index increased 0.1 percent from June to August while the energy index decreased 6.1 percent. Compared to August 2013, the all-items index increased 1.0 percent. For individual component items, the changes from one year ago were: food and beverages, 2.0 percent; apparel, 0.7 percent; education and communication, 4.4 percent; transportation, -1.2 percent; recreation, -5.0 percent; medical care, 0.9 percent; housing, 2.8 percent; and other goods and services, -1.8 percent.

Motor Vehicle Sector

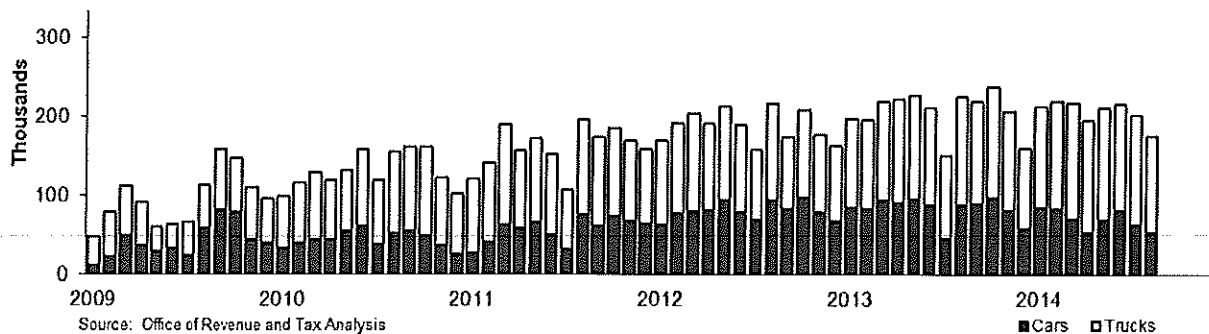
U. S. Light Vehicle Sales



U.S. light vehicle sales (cars + light trucks) increased 0.1 percent in October compared to September, selling at a 16.3 million unit seasonally adjusted annual rate. Domestic car sales increased 4.8 percent from September while domestic light truck sales decreased 1.0 percent. Import car sales decreased 2.4 percent while import light truck sales decreased 8.6 percent. Compared to last year, light vehicle sales increased 7.0 percent. Domestic car sales were up 8.9 percent from the year ago level while domestic light truck sales increased 12.0 percent. Import car sales were down 9.9 percent from last year while import truck sales increased 1.6 percent. As a result, the domestic share of U.S. light vehicle sales increased 2.6 percentage points from a year ago. For fiscal year 2015 year-to-date, domestic light vehicles recorded an 80.2 percent share of a 16.3 million-unit market.

Michigan motor vehicle production increased to 188,197 units in October from 177,056 units in September. From a year ago, motor vehicle production decreased 21 percent in Michigan and increased 1 percent nationally. In October, Michigan's car production was 68,900 units while the state's truck production was 119,297 units. Compared with a year ago, car production decreased 30 percent in Michigan and increased 3 percent nationwide. The state's truck production decreased 15 percent while national truck production decreased 1 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



**Summary Estimates of the Constitutional Revenue Limit
Based on the May 15, 2014 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	<u>Fiscal Year 2012-13 Actual</u>	<u>Fiscal Year 2013-14 Estimate</u>	<u>Fiscal Year 2014-15 Estimate</u>
Applicable Calendar Year Personal Income	\$358,152	\$378,443	\$388,053
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	<u>\$33,988.6</u>	<u>\$35,914.2</u>	<u>\$36,826.2</u>
Revenue Limit	\$33,988.6	\$35,914.2	\$36,826.2
State Revenue Subject to Limit	<u>\$27,441.1</u>	<u>\$28,171.5</u>	<u>\$29,195.7</u>
Amount Under (Over) Limit	\$6,547.6	\$7,742.8	\$7,630.5

Sources:

Personal Income Estimate

The FY 2012-13 calculation uses the official personal income estimate for calendar year 2011 (Survey of Current Business, October 2012).

The FY 2013-14 calculation uses the May 15, 2014 Consensus Revenue Agreement.

The FY 2014-15 calculation uses the May 15, 2014 Consensus Revenue Agreement.

Revenue Subject to the Limit

The FY 2012-13 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2013.

The FY 2013-14 calculation uses the May 15, 2014 Consensus Revenue Agreement.

The FY 2014-15 calculation uses the May 15, 2014 Consensus Revenue Agreement.

Column detail may not add to totals because of rounding

Prepared By: Office of Revenue and Tax Analysis, Michigan Department of Treasury